

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of February 16, 2005
Holiday Inn Express, 2187 University Park Drive, Okemos
9:00 AM

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at 9:04 AM.

The following Board members were present:

Steven Hamp
Jim Thompson
Sam Washington

Also in attendance were various staff members of the Department of Natural Resources (DNR) and other interested parties.

Chairperson Washington introduced Mr. Steven Hamp, who has been appointed to serve on the MNRTF Board, to the audience. Mr. Hamp is President of The Henry Ford. Ms. Lana Pollack, Director of the Michigan Environmental Council, has also been appointed to the MNRTF Board. Due to a prior commitment, Ms. Pollack was unable to attend today's meeting.

Chairperson Washington also stated that due to a prior commitment, Mr. Garner was also unable to attend the meeting.

I. ADOPTION OF MINUTES FOR MEETING OF DECEMBER 8, 2004.

Chairperson Washington called for the adoption of the December 8, 2004 Board meeting minutes.

MOVED BY MR. THOMPSON, SUPPORTED BY MR. HAMP, TO APPROVE THE MINUTES OF THE DECEMBER 8, 2004 MNRTF BOARD MEETING. PASSED.

II. ADOPTION OF AGENDA FOR MEETING OF FEBRUARY 16, 2005.

MOVED BY MR. THOMPSON, SUPPORTED BY MR. HAMP, TO APPROVE THE AGENDA FOR THE FEBRUARY 16, 2005 MNRTF BOARD MEETING. PASSED.

III. PUBLIC APPEARANCES.

Mr. Dennis Fedewa, Chief Deputy, DNR – Financial Update.

Mr. Dennis Fedewa, Chief Deputy of DNR, provided a PowerPoint presentation to the Board outlining MNRTF revenues, expenditures and allocations. He advised that the 2004 MNRTF Annual Report will be forthcoming and that Board members will receive a copy. In addition, the year-end status of all DNR fund balances will be discussed in greater detail at the next Natural

Resources Commission's Policy Committee on Finance and Administration meeting which will be held February 25, 2005. He invited Board members to attend this meeting as the MNRTF is one of the major funding components of the DNR.

At this point, Mr. James Wood, Chief, Grants, Contracts and Customer Systems (GCACS) continued the presentation. Mr. Wood provided a history of the MNRTF, which began in 1976 as the Kammer Recreational Land Trust Fund Act. There was a landmark agreement between oil developing interests and the State of Michigan to allow for oil and gas exploration in the Pigeon River Country. The concept was to convert one nonrenewable resource into another. The purpose behind the Kammer Act, and is stated in the enabling legislation, is to provide funding to acquire land for public recreation, such as fishing, hunting and other outdoor recreation.

In 1984 a Constitutional Amendment was passed creating the Michigan Natural Resources Trust Fund from the Kammer Recreational Land Trust Fund. This expanded the funds to be used for grants to either acquire or develop land for public recreation or resource protection. There was a limit placed of no more than 25 percent of funds could be allocated for development projects each year. The MNRTF also legislatively established the existing grant program parameters, such as eligible applicants.

Mr. Wood outlined some notable State and local projects that have received MNRTF funding. State projects include:

- Pigeon River Country State Forest – over \$2.5 million
- St. Johns Marsh – over \$3 million
- Kamehameha Rights-In-Land Acquisition - \$10 million for the acquisition of access and development rights to over 200,000 acres in the Upper Peninsula

Local projects include:

- Berrien County – Silver Beach County Park - \$2 million acquisition of Lake Michigan beach in downtown St. Joseph
- City of Grand Rapids – Millennium Park – Over \$5 million to acquire and develop a 600-acre urban riverfront park
- City of Detroit – Nearly \$6 million for 12 acquisition and development projects

Funding is split approximately 50 percent between State and local projects. The top ten counties who have received the most local grant awards are Wayne, Kent, Grand Traverse, Oakland, Antrim, Berrien, Ingham, Ottawa, Emmet, and Washtenaw; however, every county has received an award—either a State or local project.

At this point, Mr. Fedewa continued with the presentation. In Fiscal Year 2003-2004, the total revenues from the MNRTF were \$59.3 million. Revenues come from oil, gas and minerals (85.8%) and investment and interest income (14.2%). Distribution of the total MNRTF revenue, including interest, include 5% Corpus (\$11.8 million, 20%), Permanent Investment (\$20.6 million, 35%), Oil, Gas and Minerals Available for Expenditures (\$16.9 million, 28%) and Park Endowment (\$10 million, 17%).

The total appropriations for Fiscal Year 2004-2005 are \$35,944.9. Distribution is as follows: Grants (\$32,184.0, 89.5%), GCACS (\$464.1, 1.3%), Information and Technology (DIT) (\$1,083.0, 3%), Forest, Mineral and Fire Management (FMFM)-Minerals (\$1,155.6, 3.2%),

Taxes (PILT) (\$750.0, 2.1%) and Other Cost Allocated Charges (other DNR divisions and State Department expenditures) (\$308.2, \$0.9%).

Mr. Fedewa provided cost allocation methodologies of MNRTF dollars in supporting overhead costs of the DNR.

Direct efforts include:

- GCACS – to identify costs related to grant processing (review, scoring, award execution, payments, audit and post-completion compliance)

Proportional efforts include:

- Finance, Audit, Budget, Rent, Executive
 - Expenditures by fund source Department-wide
 - Total administrative costs
 - Allocation basis
 - Administrative cost allocated across restricted funds
 - Trust Fund's share is 5.8% of administrative appropriation

Direct benefits include:

- FMFM Division-Minerals Section
 - ID costs associated with revenue generation
 - Allocation of costs based on distribution to funds of revenue generated
 - In FY 2004 the MNRTF:
 - received 73% of mineral revenue
 - provided 64% of the funding for the Mineral Section

Mr. Fedewa added that the cost allocation methodologies are reviewed by Maxwell and Associates. They review the cost allocations every year.

Mr. Fedewa further added that revenues have been at an all-time high, but there are some disturbing long-term trends. He outlined the oil and gas production versus revenue charts illustrated on the PowerPoint presentation. There has been a decline in oil production and unless there is a new reserve, the revenues are destined to decline for the MNRTF. Gas production has seen spikes up and down in actual costs. It peaked out in production in 1999-2000.

Chairperson Washington asked if the lack of production was the result of depletion of the resource or is it a control issue. Are developers not producing what they could and are there adequate reserves in the future that are not being tapped? Mr. Fedewa responded he does not know at this time. There seems to be a great interest in new leases for further exploration.

Mr. Fedewa further stated that as far as what the future holds for the MNRTF, he feels the fund has done well, but feels it may not be as good as in the past due to the decline in oil and gas production. In addition, there is a Section 29 tax credit issue and two court cases (Comben and Black Stone Minerals) that are pending. The Comben and Black Stone Minerals cases could have a significant impact upon the MNRTF.

Mr. Thompson asked if the FMFM Division portion of MNRTF appropriations was actively getting new leases all the time, or are they just maintaining the existing leases. Mr. Fedewa responded they are doing both. The DNR is constantly letting new leases. Ms. Mindy Koch, Resource Management Deputy, DNR, also added that the DNR goes through an auction process twice a year. This year there has been an increase in interest. There were 95,000 acres leased at the last auction and 98,000 acres have been recommended for the next auction, which will be held this June. The DNR maintains approximately 6,000 leases at point in time. Mr. Thompson wondered if this was more or less than the DNR has had over the past ten years. Ms. Koch responded that the average interest in the last four years has been around 20,000 acres every six months. It has been a long time since the DNR has seen the current level of interest.

Mr. Hamp inquired, from the oil and gas industry perspective, what future allocations look like. Mr. Fedewa responded that as far as the production trend, which was indicated on the PowerPoint slide, this is derived from data provided by FMFM Division to project future production. There is a possibility that there will be an increase in production, but probably will not be substantial for a long duration. Ms. Koch also added that trending for the long term is very difficult. Part of the issue is technology. The oil and gas industry is embarking on producing faster.

Chairperson Washington responded that there are potentials for other minerals. Ms. Koch stated that there is a great deal of interest in metallics in the Upper Peninsula at the present time, which could provide significant revenue for the MNRTF for a short time. Mining operations could last from seven to ten years. We do not know how much of the State's minerals are involved in the explorations at this time. Sand and gravel activity has also been increased on State land and these revenues go into the MNRTF. Ms. Koch believes we will continue to see a rise in price for sand and gravel from State lands.

Chairperson Washington asked when the Section 29 tax credits will be exercised. Mr. Fedewa responded that it may not be for another year. The DNR is doing some internal cost accounting reviews to determine when this will happen. The Board will be kept up-to-date on this issue.

Mr. Steven DeBrabander, FMFM Division, DNR – DNR Land Ownership Strategy.

Mr. Steven DeBrabander, Land Liaison, FMFM Division, DNR, provided a PowerPoint presentation to the Board to outline the DNR's land ownership strategy. The DNR is committed to the conservation, protection, management, use and enjoyment of the State's natural resources for current and future generations.

Currently, the DNR administers 4.5 million acres of surface land, nearly 6 million acres of mineral rights and 25 million acres of Great Lakes bottom lands. The vast majority of the DNR-managed surface lands reverted to the State in the 20th century. Most of the land was clear cut before reversion. A significant amount of land tax-reverted several times after being resold. Eventually the State decided to hold on to lands to improve the forests and land.

Land management issues include:

- Isolated land holdings may reduce conservation and recreation values.
- Managing marginal land holdings may detract from best overall management of more critical lands.
- Income from the sale of lands would allow acquisition of important private inholdings.

Mr. DeBrabander further stated that the land ownership strategy was generated through a Natural Resources Commission policy which stated the DNR needs to look at its land ownership, to evaluate the outlying parcels, as well as evaluating private inholdings within State ownership to determine which parcels are helping the DNR fulfill its mission.

The entire land ownership strategy is broken down into two phases. The first phase was boundary review and has been completed. This review included the following:

- State forests, game, wildlife and recreation areas and parks.
- Holistic resource management approach.
- Public comment
- New boundaries adopted and dedicated in May 2004.

Phase II includes evaluation, parcel classifications, program review, public comment and final parcel recommendations.

Evaluation includes:

- Parcels outside dedicated project boundaries evaluated for:
 - Pertinence to DNR mission.
 - Presence or absence of significant natural resources or recreation potential.
 - Other relevant ecological or cultural resource values.

Parcel classifications includes:

- Retain under State ownership and DNR administration.
- Remains protected and/or accessible to the public but potentially owned/administered by an alternative conservation entity.
- Does not remain in DNR or alternative conservation ownership.

Program review includes:

- Title and deed restrictions.
- Mineral evaluation.
- Recreational trails.
- Department of Environmental Quality regulated areas.

Public comment includes:

- Provide information and gather written and oral comments.
- Public meetings held in each county or group of two or three counties.
- Information on DNR website.

Final parcel recommendations include:

- DNR's Land Exchange Review Committee makes final recommendation to Natural Resources Commission's Policy Committee on Land Management.
- DNR Director makes decision on final classification of each parcel.

Mr. DeBrabander stated that once parcels in a county have gone through the Phase II process, the Phase III, or consolidation process, begins. This includes:

- Send notices to local units of government.
- If no interest, send notices to alternate conservation owners (i.e. State and local land trusts).
- If no interest, lands listed on DNR website for exchange with private parties.
- If no exchange offers, parcel proceeds to auction sale.
- If no bids, land remains available for direct purchase at appraised value, plus transaction costs.

Mr. DeBrabander further stated the land ownership strategies have been well received by the public and DNR staff. There is a tremendous amount of work involved by DNR Field staff with the review of each parcel. Ultimately, this is being good stewards to look at these parcels and if they are not providing any public benefit or natural resources, to sell or change them.

Mr. Hamp asked if this process is done periodically. Mr. DeBrabander responded that something similar to this was done several decades ago, however, this is the first large scale property review.

Mr. Thompson asked if there was a time table involved with the review. Mr. DeBrabander responded that the goal is to review ten counties every four months.

Chairperson Washington asked for a motion to amend the agenda to move "Old Business" ahead of the remaining "Public Appearances."

MOVED BY MR. THOMPSON, SUPPORTED BY MR. HAMP TO AMEND THE AGENDA TO PLACE "OLD BUSINESS" AHEAD OF THE REMAINING "PUBLIC APPEARANCES" PORTION. PASSED.

IV. OLD BUSINESS.

Gaylord-Cheboygan Trail.

Chairperson Washington made some comments regarding the Gaylord to Cheboygan Trail. Board members have received a tremendous amount of mail regarding the trail from both landowners and snowmobilers. The procedure of the Board in all matters of conversion is uniform. There is a process that is followed whenever a conversion of a grant takes place. The process for getting the Board to act on a conversion is for the party that originally received the grant to formally request that the money originally granted be used for a use or purpose other than the original grant. In this case, the State of Michigan is the landowner, through the DNR. If the Board is to act upon whether or not that stretch of trail along Mullett Lake be open to snowmobiles, it is first necessary that the landowner, who is the only one who has standing in this, make a formal request to the Board to consider a conversion. Neither the snowmobile groups nor the landowners have standing to request the Board to make this conversion.

Chairperson Washington further stated that it is his understanding that GCACS has not received a formal request for a conversion on this piece of property. While the Board has the authority to change the designation, it can only act on it if they are given a formal request by the DNR or the Natural Resources Commission to make the conversion. Because the landowner has not

formally requested a conversion, it is inappropriate for the Board to be dealing with it at this time.

Mr. Thompson stated that years ago it was the intent of the Board to make that portion available for snowmobiles, but a number of people at the time said there were lots of alternative routes to go around Mullett Lake. Unless there is another trail that goes through there, if this comes back to the Board for a conversion, he will vote to allow snowmobiles on the Mullett Lake portion of the trail. The trail is not being used for its intended use. This was an expensive project, with the Mullett Lake portion being the most costly. If the trail property is not going to be used as it was intended, he feels it should be put up for sale. Chairperson Washington concurred.

Mr. Thompson asked about the trespass problems on the trail. It has been indicated in past meeting minutes that there were 160 trespass problems, and if this would have been open to snowmobiles, possibly there would not have been these problems as it would have been a designated trail. Ms. Koch responded that she does not know if snowmobiles would be the key, but rather use of the trail to prevent the trespasses. Development of the trail would help resolve trespass issues. There are new trespasses every time staff visits the trail. Some of the old trespasses have been resolved and removed. The DNR is working with property owners and the Attorney General's office to remove trespasses. Some trespassers and contractors attempting to utilize the property have been ticketed. The DNR has had difficulties sorting out property rights based on riparian rights issues, as well as historic property rights.

Ms. Koch further advised the Board that the DNR has conditionally been approved for a Michigan Department of Transportation (MDOT) grant in 2006 for development of the trail. She further illustrated the location of the trail via a map. Ms. Koch feels it is easier for the DNR to receive grants when snowmobile or motorized use is allowed. There are snowmobile and ORV monies available to develop trails that have not been able to be used on this stretch.

At the current time, the DNR is doing a field review of two alternative routes that were proposed by the Gaylord to Cheboygan Workgroup. There are six other alternative routes that the DNR looked at several years ago. The field review (Wildlife and Fisheries biologists, and FMFM and Recreation specialists) will look at natural resource aspects, but there are potential issues with the two alternative routes—one goes through the Pigeon River State Forest, which does not allow new designated snowmobile trails; and the east alternative route would need a bridge over a designated natural river, which the DNR does not encourage, and would, in fact, be prohibited under the Natural Rivers Plan. There is an exemption process for those limitations, but it is a difficult issue. There were issues with the first six alternative routes as well.

Ms. Koch also stated that there are three parcels that would connect with a northern route of the existing trail that are not in State ownership. The DNR may be submitting an application for these parcels this year which would be a high priority to acquire.

Mr. Hamp asked what the status of the Cheboygan to Gaylord Trail was south of Indian River. Ms. Koch responded that it is developed and being used up to the Mullett Lake portion. The DNR has gated the Mullett Lake portion to attempt to prevent motorized use. Mr. Thompson asked if the gate was taken down in the summer. Ms. Koch responded it stays up year-round. Mr. Thompson stated that if a gate was there at all times, it would appear that no use of the trail would be allowed.

Mr. Thompson asked about the swamp areas on the trail, and wondered how trains could have gone through this. Ms. Koch responded that the grade was built to provide high ground and can be used for nonmotorized use today. The trail does not get a significant amount of use, and the only way this will increase is to develop the trail.

At this point, Chairperson Washington advised the audience that the Board will not be addressing the question of motorization of the stretch along Mullett Lake until the Board has a formal request for a conversion from the original receiver of the grant, which is the State of Michigan. At such time as the State of Michigan requests a conversion, the Board will then deal with the issue.

III. PUBLIC APPEARANCES (continued).

Mr. Larry Lutz.

Mr. Larry Lutz, a homeowner on Mullett Lake, made comments regarding the Gaylord to Cheboygan Trail, in particular, the Mullett Lake portion. In the past, he has written letters to former Director Cool, Ms. Koch and the Board expressing his concerns and objections to allowing motorized vehicles of any kind on the Mullett Lake stretch of the trail. In the summer of 2003, he spearheaded a petition drive to support the continuation of the quiet, nonmotorized status along this segment of the trail. To date, 262 property owners have signed the petition voicing their opposition to motorized vehicles and support for the continuation of a quiet trail, as promised in writing by the MNRTF Board and supported in writing by DNR officials.

Mr. Lutz further stated it is the property owners' position that the following promise and commitment be honored: "The Department does not consider snowmobiling appropriate in the segment because the trailway passes in close proximity to many residents and crosses many driveways." The Department also made a commitment to the West Mullett Lake property owners and Michigan Natural Resources Trust Fund Board to support the snowmobile prohibition.

Mr. Joe Davis – Cheboygan Tourist Bureau.

Mr. Joe Davis, representing the Cheboygan Tourist Bureau, made a statement expressing the Bureau's support of the Cheboygan to Gaylord Trail.

Mr. Brian Callaghan.

Mr. Brian Callaghan made some comments regarding the Cheboygan to Gaylord Trail. He stated that members of his snowmobile club have attended Natural Resources Commission meetings regarding opening the Mullett Lake portion of the trail to snowmobile use. His club was told they must go the MNRTF Board first.

Chairperson Washington reiterated his comments made earlier regarding conversions.

Mr. Bill Manson, Executive Director, Michigan Snowmobile Association.

Mr. Bill Manson, Executive Director of the Michigan Snowmobile Association, asked the Board in the event the two alternate snowmobile routes being reviewed at the present time by the Gaylord to Cheboygan Workgroup do not work out, would it be the DNR Director or GCACS that would need to make the conversion request for the Mullett Lake portion of the Gaylord to

Cheboygan Trail. Chairperson Washington responded that he would like to see a formal letter requesting a conversion from either the DNR Director or the Chairman of the Natural Resources Commission. If the request is made by the Natural Resources Commission, the request would need to be voted on by Commission members.

Mr. Bob Ulrich, Inland Lakes Snowmobile Club.

Mr. Bob Ulrich, a member of the Inland Lakes Snowmobile Club, reminded the Board that he provided them with a petition last April, with over 4700 signatures, requesting that the Mullett Lake portion of the Gaylord to Cheboygan Trail be open for snowmobiles.

Mr. Ulrich advised the Board that the adjacent property owners are using the easement for septic fields. This is State recreational land and is being used for personal gain. He would like to suggest that all septic permits be placed on hold until such time that the railroad grade is opened to snowmobiling.

Mr. Ulrich further stated that the decision to not allow snowmobiling has not served the interest of the general public, but only for a privileged few. The Board can reverse the restriction placed on the trail, and are urging that the process begin.

Mr. Mark Elliott, Vice-President, Cheboygan Trailblazers.

Mr. Mark Elliott, Vice-President of the Cheboygan Trailblazers, stated that he would like to see the Mullett Lake portion of the Gaylord to Cheboygan Trail opened up for snowmobiling. He appeared before the Board at their April 21, 2004 meeting. He is a groomer for area snowmobile trails.

Mr. Tom Bailey, Executive Director, Little Traverse Conservancy.

Mr. Tom Bailey, Executive Director of the Little Traverse Conservancy, advised the Board that he has recently become the President of the Heart of the Lakes Center for Land Conservation Policy. The land conservancies of the State of Michigan have recognized that times have changed. A number of factors are involved, such as term limits in the Legislature, changes in DNR and DEQ budget restrictions, and the uncertainty of State land.

Mr. Bailey further stated that we did not want to change the fundamental workings of the land conservancies themselves, being the private sector in land conservation. As revenues shrink for land conservation programs, local land conservancies are more critical. We need to remain focused, but also recognize the changes that are taking place at the State and Federal levels. The Heart of the Lakes Center for Land Conservation Policy was formed as a trade association of land conservancies. Mr. Steve Arwood, former member of the MNRTF Board, has been assigned Executive Director for Heart of the Lakes.

Mr. Bailey stated that in Washington, DC, the Joint Committee on Taxation has recommended gutting the tax advantages currently offered for private contributions to land conservation. This not only affects private land conservancies, but also gifts of land to other charities, such as museums, universities, etc., as well as gifts of land to the public. Many of the park projects that the Little Traverse Conservancy has worked with involve some element of a gift, frequently using tax advantages. President Bush's budget takes the approach of cracking down on violations of the tax advantages, but not to eliminate themselves. Heart of the Lakes is

participating in a 12-State Midwest coalition to address these issues. Congressional delegations are being contacted.

Mr. Bailey stated that the first meeting of Heart of the Lakes will convene tomorrow. Heart of the Lakes is also designated as a local service center for the National Land Trust Alliance to provide coordination of efforts.

Mr. Bailey welcomed Mr. Hamp to the MNRTF Board.

Mr. Hamp asked how many organizations are members of the Heart of the Lakes. Mr. Bailey responded that the founding boards are Little Traverse Conservancy, Grand Traverse Regional Land Conservancy, Headwaters Land Conservancy, Land Conservancy of West Michigan, Land Trust Alliance-National Group and Leelanau Conservancy. All land conservancies in Michigan will become members of this group.

Chairperson Washington thanked Mr. Bailey for his leadership in Heart of the Lakes.

V. NEW BUSINESS.

TF00-312, Clinton River Trail Acquisition and TF02-043, Clinton River Trail Development, City of Rochester – **CONVERSION AND PROJECT CHANGE REQUEST.**

Mr. Mark Pompetzki, Friends of the Clinton River Trail, provided a PowerPoint presentation of an overview of the proposed Clinton River Trail project exchange. Significant opportunities of the trail include:

- Restoration and reuse of the long-neglected abused river/trail corridor.
- Enhance existing adjacent natural features (parks, river, trout fishery, other trails).
- A key natural feature attraction for downtown Rochester.
- Provide access and interpretation of local natural resources in easy access to densely populated urban area.

Mr. Pompetzki stated that the Friends' concerns are as follows:

- To preserve the safety of the trail for trail users.
- To preserve the natural resource aesthetics of the trail and river corridor, which includes maintaining a buffer between the trail and future development.
- To provide public access and usability to the trail and river corridor.

Key aspects for the land exchange include:

- Trail design, construction and signage that are safe for trail users.
- Maintain natural feature integrity of the trail and river corridors – including mature trees and river bank and proximity of new development to the trail.
- Provide public access points for both the trail and the river.
- Fair value land exchange, with consideration given to floodplain, greenway planning and non-buildable land adjacent to river.

At this point, Mr. Wood outlined the conversion and project change request, as prepared by GCACS staff. This would exchange two parcels and move the corridor of the trail from the

current alignment along the railbed to an adjacent parcel. The Office of Land and Facilities, DNR, has done the appraisal reviews and the parcel being moved to is of greater value. There are also issues associated with getting the trail closer to the river.

It is the recommendation of staff that there is a contingency that the city is able to demonstrate they can obtain all permits necessary to construct the proposed rerouted section of the trail; and that the existing trail not be disrupted until development of the reroute is completed.

Mr. Thompson asked who would make the decision on the permits. Mr. Wood responded the Department of Environmental Quality would have to issue the permits to make sure there would be an acceptable use of the property.

MOVED BY MR. THOMPSON, SUPPORTED BY MR. HAMP, TO ACCEPT STAFF'S RECOMMENDATIONS TO APPROVE THE CONVERSION AND PROJECT CHANGE REQUEST FOR TF00-312, CLINTON RIVER TRAIL ACQUISITION AND TF02-043, CLINTON RIVER TRAIL DEVELOPMENT, CITY OF ROCHESTER, TO INCLUDE THE REROUTE OF THE CLINTON RIVER TRAIL AS PROPOSED BY MEANS OF EXCHANGING A PORTION OF THE FORMER RAILROAD CORRIDOR WITH A PARCEL OF LAND THAT WILL MAINTAIN A CONTIGUOUS TRAIL ROUTE, WITH THE FOLLOWING CONTINGENCIES:

- **THE CITY DOES NOT PROCEED WITH THE PROPERTY EXCHANGE UNTIL IT HAS RECEIVED ASSURANCE THAT IT CAN OBTAIN ALL PERMITS NECESSARY TO CONSTRUCT THE PROPOSED REROUTED SECTION OF THE TRAIL.**
- **THE EXISTING TRAIL WILL NOT BE DISRUPTED UNTIL DEVELOPMENT OF THE REROUTE IS COMPLETED.**

PASSED.

TF03-205, Holiday Inn Property Acquisition, City of East Tawas – PROJECT CHANGE REQUEST.

Mr. Wood outlined the project change request for TF03-205, Holiday Inn Property Acquisition, City of East Tawas. At the February 4, 2004 meeting, the Board approved a change in location. The replacement property has a much higher estimated fair market value than the original project, however, the grant amount remains the same (\$96,464). At that meeting, staff and the Board did not clarify the grant percentage.

When staff prepared the 2003 project agreements for grant recipients, they calculated a reimbursement rate based on the grant amount and anticipated project expenditures. It became apparent that this rate is insufficient to allow the city to recover their full grant amount based on anticipated expenditures. It would have been appropriate to have included a higher reimbursement rate for this project, which would allow the city to earn their full grant without jeopardizing the DNR's ability to manage the project in a fiscally responsible manner.

To correct the situation, staff recommends that the Board approve an amendment to the project agreement between the DNR and the City of East Tawas increasing the rate of the grant reimbursement from 27% to 30%. This recommendation is requested due to the unique aspects of this project and with the understanding that it would not set a precedent to change the rate of

reimbursement for projects where the applicant has committed to a specific match amount as part of their application.

MOVED BY MR. THOMPSON, SUPPORTED BY MR. HAMP, TO APPROVE AN AMENDMENT TO THE PROJECT AGREEMENT FOR TF03-205, HOLIDAY INN PROPERTY ACQUISITION, BETWEEN THE DNR AND THE CITY OF EAST TAWAS INCREASING THE RATE OF THE GRANT REIMBURSEMENT FROM 27% TO 30%. PASSED.

Proposed Change in MNRTF Board Rules of Procedures (Bylaws).

Mr. Wood stated that the proposed change to the MNRTF Board Rules of Procedures have been provided to the Board for their review. Mr. Garner had asked that the bylaws be reviewed to address the situation where the Chairperson was not afforded to vote on every matter.

Due to the fact that Mr. Garner was not able to attend the meeting today, Chairperson Washington suggested that discussion of the proposed change be deferred to the next Board meeting.

2005 Nomination Report.

Mr. Wood advised the Board that five nominations had been received as of January 1 . These nominations have been provided to the DNR's land managing divisions and they have the opportunity to pursue a nomination and submit an application for the 2005 grant cycle.

2005 Recreation Grant Application Package.

Mr. Wood advised the Board that a copy of the 2005 recreation grant application package had been provided to them for their information. More grant applicants are accessing grant materials on the Internet, and as a result GCACS has been able to reduce printing costs.

The grant application deadline is April 1, 2005. The Board will be provided with a list of applications received at their April 20, 2005 meeting. Staff reviews each application and provides project scoring information back to the applicant. The applicant has a period of time to provide supplemental information to address issues that staff addressed when scoring the application. Final scores of applications are provided to the Board at their December meeting.

There is a supplemental application deadline of August 1, 2005 for acquisition applications only. Staff does not provide a formal feedback to applicants for applications received as of the August 1 deadline. Projects are scored based on the information received.

Mr. Wood highlighted the events of the upcoming Board meetings:

- April – The Board is presented with list of applications received as of the April 1, 2005 deadline.
- June – Presentations of proposed projects by select applicants for the Board's information.
- August – The Board is presented with a list of acquisition applications received as of the August 1, 2005 deadline. In addition, the DNR makes a presentation on applications they have submitted.

- October – General business.
- December – Final project recommendations made by the Board.

VI. STATUS REPORTS.

Real Estate Report.

Mr. Wood outlined the real estate report that had been provided to the Board. The Office of Land and Facilities has secured one option for land purchase for TF03-197, Southern Michigan Wetland Initiative, in the amount of \$344,000, with the MNRTF contributing \$83,000. This is for acquisition of two parcels totaling 41.60 acres in Monroe County.

Lump sum balances have increased due to the Board's recommendation of several lump sum grants in 2003. Lump sum grants recommended by the Board in 2004 have not yet been approved by the Legislature.

Local Projects Completion Report.

Mr. Wood advised the Board that there were three local acquisition and six local development projects completed from December 1, 2004 through January 31, 2005.

Lump Sum Report.

No further discussion.

2004 MNRTF Annual Report.

Mr. Wood advised the Board that the 2004 MNRTF Annual Report will be mailed to them.

VII. OTHER MATTERS AS ARE PROPERLY BROUGHT BEFORE THE BOARD.

None.

VIII. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 AM, Wednesday, April 20, 2005, Clarion Hotel and Conference Center, 3600 Dunckel Drive, Lansing, Michigan.

Mr. Thompson complimented Mr. Fedewa and staff on their PowerPoint presentation.

IX. ADJOURNMENT.

**MOVED BY MR. THOMPSON, SUPPORTED BY MR. HAMP, TO ADJOURN
THE MEETING. PASSED.**

The meeting was adjourned at 11:05 AM.

Sam Washington, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees

James Wood, Chief
Grants, Contracts and Customer Systems

DATE